

Message Text

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PAGE 01 SANTIA 07293 041259Z
ACTION ARA-14

INFO OCT-01 IO-14 ISO-00 EB-08 AGRE-00 CEA-01 CIAE-00
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TO SECSTATE WASHDC 6369
INFO USDOC WASHDC
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBASSY CARACAS
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY QUITO
USDEL GENEVA

UNCLAS SANTIAGO 7293

E.O. 11652: N/A
TAGS: BEXP, ETRD, CI
SUBJECT: GENERAL TARIFF REDUCTIONS

REF: SANTIAGO 3595

1. ANNOUNCED ON AUGUST 25 AND EFFECTIVE AUGUST 29, THE GOC HAS CARRIED OUT, AHEAD OF SCHEDULE BY SEVERAL MONTHS, THE TENTH AND WHAT SHOULD BE THE FINAL GENERAL TARIFF REVISION IN THE SERIES BEGUN IN JANUARY 1974. AT THE SAME TIME, A CHILEAN PESO DEVALUATION OF 6 PERCENT WAS ALSO ANNOUNCED. THE DECISION TO DEVALUE, AFTER TWO PESO REVALUATIONS SINCE MAY 1976, NO DOUBT AFFECTED THE TIMING OF THE FINAL STEP OF THE TARIFF REVISION.

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2. WITH THE EXCEPTION OF AUTOMOBILES, STILL SUBJECT TO A 115 PERCENT AD VALOREM DUTY, AND A VERY FEW PRODUCTS THAT ARE DUTY FREE, ALL CHILEAN TARIFFS NOW RANGE FROM 10 PERCENT TO 35 PERCENT AD VALOREM. THE ARITHMETICAL AVERAGE OF THE CHILEAN TARIFF LEVEL NOW STANDS AT 19.7 PERCENT, COMPARED TO 21.4 PERCENT SINCE THE LAST TARIFF REDUCTION IN MAY. A MORE MEANINGFUL COMPARISON FOR AN UNDERSTANDING OF GOC

TRADE AND ECONOMIC POLICY, HOWEVER, IS WITH THE AVERAGE CHILEAN TARIFF LEVEL OF 94 PERCENT IN JANUARY 1974 BEFORE THE INITIAL TARIFF REDUCTION.

3. THE PATTERN OF CHILEAN TARIFF LEVELS HAS BEEN SET TO GIVE GREATER PROTECTION TO LOCALLY-PRODUCED GOODS WITH THE HIGHEST PERCENTAGE OF VALUE-ADDED IN CHILE. IN GENERAL, IMPORTS OF MOST FINISHED PRODUCTS ARE SUBJECT TO TARIFFS IN THE 30 TO 35 PERCENT RANGE; CAPITAL GOODS, WITH 80 SPECIFIC EXCEPTIONS, TO A 20 PERCENT DUTY RATE; AND RAW MATERIALS AND PRIMARY INPUTS IN GENERAL TO A 10 TO 15 PERCENT RANGE.

4. ALTHOUGH GOC OFFICIALS HAVE SAID THAT THE DEVALUATION AND THE LAST STEP OF THE SCHEDULED TARIFF REDUCTIONS, CONSIDERED AS A PACKAGE, SHOULD NOT AFFECT EARLIER FORECASTS OF TOTAL CHILEAN IMPORTS FOR 1977 (ABOUT \$ 2 BILLION), DIFFERENT SECTORS OF THE DOMESTIC ECONOMY WILL BENEFIT OR SUFFER, DEPENDING ON THE SPECIFICS OF THE TARIFF CATEGORY INVOLVED. THE DEVALUATION IS OF COURSE WELCOMED BY CHILEAN PRODUCERS OF NON-TRADITIONAL PRODUCTS FOR EXPORT, EVEN IF THE 6 PERCENT PARITY CHANGE IS TOO LOW TO HAVE SIGNIFICANT IMPACT ON EXPORTS IN THE SHORT RUN. AS AN INCENTIVE TO INVEST FOR EXPORT PRODUCTIONS AND TO IMPORT CAPITAL GOODS AND RAW MATERIALS, HOWEVER, THESE TWO MEASURES SHOULD STIMULATE CHILEAN PRODUCTION FOR EXPORT IN THE LONGER TERM.

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5. THE CHILEAN DEVALUATION, AS A PARTIAL OFFSET TO THE PREVIOUS PESO REVALUATIONS, IS UNLIKELY TO AFFECT U.S. EXPORTS TO CHILE SIGNIFICANTLY. MORE IMPORTANTLY, CHILE'S TOTAL PACKAGE OF TARIFF REDUCTIONS SINCE 1974 HAS OPENED THE MARKET TO AMERICAN EXPORTERS OF MOST TYPES OF GOODS. MARKET FORCES CAN NOW HAVE GREATER INFLUENCE IN DETERMINING CHILE'S IMPORT MIX THAN HAS TRADITIONALLY BEEN THE CASE.

6. COPIES OF THE OFFICIAL GAZETTE OF AUGUST 29, WHICH CONTAINS THE NEW TARIFF SCHEDULE, WILL BE AIR MAILED SHORTLY TO THE DEPARTMENT AND TO USDOC.
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